

## **The complaint**

Mr M complains about how Moneybarn No. 1 Limited reported his arrears on his credit file.

## **What happened**

Mr M has a regulated conditional sale agreement with Moneybarn. He was paying his monthly payments by direct debit. In February 2022 he called Moneybarn to tell them he was in financial difficulties, due to his wife having developed serious illnesses as a result of long covid. This meant that she was no longer working, and Mr M had become the main carer for his wife and disabled children. This meant he was now working part time, and his income was now less than a third of what it had been. He asked for help.

The result of that phone call was that Moneybarn agreed not to take Mr M's direct debit payment for that month. This was reported on his credit file as a missed payment in February, March and April. He made his February payment in April. He had also made his March and April payments on time, so from May 2022 the account was reported on his credit file as up to date.

In May 2023 Mr M complained to Moneybarn that he hadn't known that the breathing space he had been given the previous year would affect his credit file, and that if he had known then he wouldn't have taken it. Moneybarn did not uphold his complaint. It told him that its call handler had told him during the call that the late payment would be recorded as arrears. Being dissatisfied with that response, Mr M brought this complaint to our service.

Our investigator did not uphold this complaint either. She said that because Mr M had not kept to the terms and conditions of his agreement, the missed payment marker on his credit file was accurate and had been correctly reported by Moneybarn. Mr M disagreed, and he asked for an ombudsman to review his case. He said that the missed payment marker had caused his mortgage application to be declined.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have also considered the *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies* published by the Information Commissioner's Office in July 2016. This says, on page 4:

"In general, the reporting of arrears indicates that the account has not been maintained according to the terms and conditions. The purpose of reporting arrears is to indicate at the earliest reasonable opportunity that a customer is showing signs of potential financial difficulty or inability to manage his/her finances."

That is to prevent people in financial difficulty taking on further debt and getting into greater difficulty.

However, it goes on to say on page 5:

“Should a temporary reduction in the payment amount be jointly agreed between you and your lender, this ‘arrangement’ will be recorded at the CRAs. This may also occur if there is a temporary change in terms (that is not part of the product) such as a payment holiday...”

So a payment holiday should be recorded as an “arrangement to pay”, or “AR”, rather than as just a missed payment, or “1”.

I have listened to the recording of the phone call. At about 21 minutes and 50 seconds into the call, Mr M (having explained his circumstances) asked for a payment holiday, and the call handler told him that they don’t do payment holidays anymore, as that had only been a temporary measure during the covid pandemic. (Mr M pointed out that “covid hasn’t gone anywhere though,” a point to which the call handler had no answer.) Instead, all she could do was put a “do not take” marker on his next payment, which was due on 23 February, and she put his account on hold until 1 March. She had tried to put it on hold for longer than that, but Moneybarn’s system wouldn’t let her (at about 20 minutes and 15 seconds).<sup>1</sup> The effect of the do not take marker was that Moneybarn would not try to take that direct debit payment, so that Mr M would not be charged a missed direct debit fee if the payment was claimed and it did not go through. It was not an agreement that he didn’t have to pay it on the normal due date, and so it was not a payment holiday.

The call handler told Mr M (having previously discussed this option) that “that will go onto your agreement as arrears,” and that this would go on his credit file (from 19 minutes and 55 seconds). She repeated that again around a minute later, in response to a question about that from Mr M. So he was told that his credit file would have arrears reported on it, and he chose that option anyway. Effectively, he had no other option. (The only alternative option which he was offered, which would not have affected his credit file, was to move the payment due date back by five days, from 23 to 28 February, but Mr M said that would not help him.)

I have considered whether Moneybarn should have done more to help Mr M, by giving him a payment holiday of a month or two, since “computer says no” is not an excuse. But I don’t think it would have made any difference to Mr M’s mortgage application if that had happened. Firstly, an “arrangement to pay” marker on a credit file would still be viewed negatively on consideration of a mortgage application. And secondly, this account was not the only account which had negative information reported about it. Mr M’s credit file also shows another account with arrangements to pay in February to March 2022, and for six months in 2020. His utilities had been in arrears since 2019, and there had been a default on another account in August 2020. Those two accounts were not settled until some time after the phone call with Moneybarn. These are all reasons why a mortgage application might be declined, and so I am unable to conclude that the arrears reported by Moneybarn caused that to happen, or that an arrangement to pay instead would have made a difference.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 21 September 2023.

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<sup>1</sup> She also booked him a telephone appointment with a debt advice charity.

Richard Wood  
**Ombudsman**